



RESEARCH REPORT

Government Support, Business Environment,
and Entrepreneurial Intent:
A Cross-National Study
of MSMEs in Indonesia and Thailand



Research Team:

ITB Nobel Indonesia	TGBC Thailand
1. Assoc Prof. Dr. H. Muhammad Hidayat, S.E., M.M	1. Assoc. Prof. Dr. Chalong Tubsee
2. Fitriani Latief, S.P.M.M	2. Dr. Prattana Srisuk

INSTITUT TEKNOLOGI DAN BISNIS NOBEL INDONESIA

**THAI BUSINESS GLOBAL ADMINISTRATION AND
TECHNOLOGICAL COLLEGE THAILAND**

2025

CERTIFICATION

Title	Government Support, Business Environment, and Entrepreneurial Intent: A Cross-National Study of MSMEs in Indonesia and Thailand
Researcher/TIM Chair	
Full Name	: Dr. H. Muhammad Hidayat, S.E., M.M.
NIDN	: 0924017104
Academic Title	: Associate Professor
Study Program	: Magister Management
Mobile Number	: 082334402299
Institution	: Institut Teknologi dan Bisnis Nobel Indonesia
E-mail	: hidayat@nobel.ac.id
Anggota 1	
Full Name	: Dr. Fitriani Latief, S.P., M.M.
NIDN	: 0905097801
Institution	: Institut Teknologi dan Bisnis Nobel Indonesia
Anggota 2	
Full Name	: Associate Professor Dr. Chalong Tubsree
Institution	: Thai Global Business Administration and Technological College
Anggota 3	
Full Name	: Dr. Pratanan Srisuk
Institution	: Thai Global Business Administration and Technological College
Year of Implementation	: 2024
ITB Nobel Indonesia Contribution Fund	: Rp. 16.650.000
TGBC Thailand Contribution Fund	: Rp 16.650.000

Makassar, 7 Februari 2025

Acknowledgement ,



Head of Magister Management
Study Program

Dr. Yuswari Nur, S.E., M.Si.
NIDN : 0031087801

Researcher/Tim Chair

Dr. H. Muhammad Hidayat, S.E., M.M.
NIDN : 0924017104

Head of LP3M ITB Nobel Indonesia



Fitriani Latief, S.P., M.M.

NIDN : 0905097801

**ENDORSEMENT OF UNIVERSITY PARTNERS
THAI GLOBAL BUSINESS ADMINISTRATION AND
TECHNOLOGICAL COLLEGE**

International Affair

Director Of TGBC Thailand

Dr. Nico Irawan



Dr. Prattana Srisuk

FOREWORD

We give thanks to the presence of Allah SWT for His grace and grace so that the research entitled "Government Support, Business Environment, and Entrepreneurial Intent: A Cross-National Study of MSMEs in Indonesia and Thailand" can be completed successfully. This research was carried out as an effort to explore related to government support, business environment and ease of doing business in Indonesia and Thailand which are very crucial in efforts to develop the MSME sector in the two countries

This research is expected to make a significant contribution, both in the academic and practical realms, especially in helping micro, small, and medium enterprises (MSMEs) in the creative industry sector. The results of the research are expected to provide applicable recommendations for MSMEs, as well as an important reference for policymakers in designing programs that support the development of the MSME industry in Indonesia and also in Thailand

We realize that this research will not succeed without support, guidance, and input from various parties. Therefore, we would like to thank all parties who have provided assistance and support during the research implementation process. Hopefully, the results of this research can provide broad benefits for the development of the MSME industry in Indonesia and in Thailand.

Sincerely,

RESEARCH TEAM

CHAPTER I

1.1. Introduction

To become a developed country, the country is required to have at least 10% of its population working as entrepreneurs, this is a strong basis for developing countries to further increase the number of entrepreneurial actors, especially in the small and medium business sector

MSMEs are a very important economic sector in the economy. It cannot be denied that the MSME sector has made a large contribution and plays an important role in supporting the economic sector. MSMEs are not only felt in developing countries but also in developed countries (Hartarto, 2021). In both developed and developing countries, MSMEs are very important, because they absorb the most labor compared to large businesses, in Indonesia itself. The contribution of MSMEs to the formation or growth of Gross Domestic Product (GDP) is greater than the contribution from large businesses. (T.Tulus 2012). The MSME sector contributes in the form of job creation, opening up business opportunities for the community. The contribution of MSMEs to the economy is not only felt in Indonesia but in all countries in Southeast Asia. The contribution of MSMEs to economic growth shows a significant influence, this is shown from the comparison between the number of MSMEs and all existing businesses, the influence of MSMEs on the economy is also shown from the contribution of labor absorption and the contribution of MSMEs to GDP nationally (Hartarto, 2021).

Tabel 1. Comparison of MSME Contribution in ASEAN Region

Country	Share the Number of MSMEs Against Total Business (%)	UMKM Labour Share	MSME Contribution Against GRDP	Export Share of MSMEs Against Total Exports
Brunei Darusalam	97,2	57,3	35,5	-
Indonesia	99,99	97,0	61,0	15,7
Malaysia	98,5	66,2	38,3	17,3
Filipina	99,5	63,2	35,7	
Singapura	99,5	71,4	44,7	
Thailand	99,8	85,5	43,0	28,7
Vietnam	98,8	38,0	-	-
Rata-rata	98,8	68,4	43,1	20,1

Sumber : Data Base ADB (2020)

Indonesia and several ASEAN countries are currently in the era of demographic bonus where the majority of the population in several ASEAN countries are currently of productive age and of the existing labor force of 97% work in the micro, small and medium enterprises (MSMEs) sector, with such conditions, MSMEs are one of the leading indicators of the economic success of the region today.

In Indonesia alone, the contribution of MSMEs to GDP is 60.51% or worth approximately 9.580 trillion rupiah. MSMEs can collect around 60.42% of the total investment in Indonesia. However, in general, MSMEs only serve the needs of the domestic market, export activities from MSMEs only amounted to 15.65% of Indonesia's total exports, this is because of weak demand from export destination countries, including China, America and Europe, various analyses have been carried out and ultimately resulted in a conclusion if our MSMEs do not have strong competitiveness, especially if faced with global competitiveness

demands.

In addition to the contribution of MSMEs to development, it is also proven that MSMEs are also economic saviors, especially when the country is in times of crisis. MSMEs proved to be resistant to the 1996 economic crisis when large companies collapsed at that time. This is because MSME capital at that time was more concentrated on independent capital which was not related to bank credit which at that time was experiencing problems. MSMEs are also proven to continue to exist even though they are affected by the Covid-19 pandemic crisis, MSMEs continue to run and survive during these crisis times.

The position of MSMEs has long been recognized as an important sector in the Indonesian economy. In the last two decades, MSMEs contributed an average of 57% to GDP and absorbed 97% of the workforce. The number of Indonesian MSMEs also continues to grow every year with dominance reaching 99% of the total business. In 2019, the number of MSMEs reached 65.46 million, an increase of more than 1.5 times compared to 1997 when Indonesia experienced a crisis. This development is certainly something very encouraging which is an indication of the growth of an entrepreneurial mindset that will encourage the creation of productivity and employment. (Hartarto, 2021)

The structure of MSMEs consists of micro, small and medium enterprises. However, during its development, the portion of the MSME structure both seen from the number of business scales, contributions to GDP and employment has not changed much. In the last 15 years the number of micro-enterprises has dominated in the range of 98% of total businesses, contributing 35% to GDP and

absorbing 89% of the workforce, this can be seen in table 1.2. If you look at these numbers, it can be concluded that currently the Indonesian economy that directly involves the community in absorbing labor is the MSME sector.

Tabel 2. Business Scale and Contribution of MSMEs In The Economy

Business Type	Business Scale			Contribution to GDP			Workforce		
	Year 05-09	Year 10-14	Year 15-19	Year 05-09	Year 10-14	Year 15-19	Year 05-09	Year 10-14	Year 15-19
Macro Venture	98,4	98,8	98,7	32,4	34,7	37,3	88,9	90,3	88,4
Small Business	1,5	1,2	1,2	10,1	9,8	9,6	5,0	4,0	5,1
Medium Business	0,1	0,1	0,1	13,6	13,5	13,7	3,3	2,9	3,4
Big Business	0,01	0,01	0,01	43,9	42,0	39,3	2,8	2,8	3,1

Source : Ministry of Cooperatives and MSMEs 2019 (Data processed)

Based on the data above, the contribution of large employment and contribution to GDP is quite dominant, making MSMEs one of the main pillars of the Indonesian economy. Although micro-enterprises have a big role, the level of productivity is still low. Based on data from 1997 to 2019, the average value of micro business productivity is 50 million rupiah per business unit and 29 million per worker. This is much smaller when compared to the average value of large business productivity of Rp 648 million per business unit and Rp 568 million per workforce

Tabel 3. Developed of MSME Productivity Level

Business Type	Applicable GDP/Business Unit (Rp million/unit)			Prevailing GDP/Labor (Rp million/person)		
	Year 05-09	Year 10-14	Year 15-19	Year 05-09	Year 10-14	Year 15-19
Macro Ventures	27	46	78	16	26	45
Small Business	831	1.167	1.645	126	166	204
Medium Entreprises	14.539	21.078	29.283	210	312	440
Big Business	403.230	605.296	934.737	707	997	1.352

Source : Ministry of Cooperatives and MSMEs 2019 (Data processed)

The achievements of MSME performance, if it can continue to be improved, are certainly good enough capital for the economy which is expected to continue to support national economic performance in the future. Based on the data and facts mentioned above, it is very important to grow a support system that supports the growth of new business actors who become a strong basis for growing the economic sector with fundamentals and a broad support base from the community as business actors. The support system that needs to be developed is an institutionalized support system, so the presence of the government in supporting the growth of new entrepreneurs becomes an institutional support system to create a strong and sustainable economic ecosystem.

In Indonesia, the government's support for the growth of MSMEs can be seen from several economic policy packages illustrated in at least four policy focuses, namely: (1) Infrastructure development, adequate infrastructure will help MSMEs in improving operational efficiency and expanding their market reach. The development of digital connectivity infrastructure, such as the Palapa Ring Satellite and Base Transceiver Station, so that business actors in remote areas will be digitally connected. (2) Financing Program, around 18 million MSMEs do not have access to formal financing and around 46 million MSMEs still need additional financing for their working capital and investment. The government provides support through the KUR program and Ultra Micro financing (3) Digitalization of MSMEs, Digitalization can provide many benefits for MSMEs, including operational efficiency, increasing productivity, expanding market reach, and increasing competitiveness. As of January 2022, as

many as 17.2 million MSMEs have been digitized. The target is that 40 million MSMEs will be digitized by 2024 (4) Synergy and Coordination, increasing synergy and coordination with the public sector, academia, and also the private sector, including how to develop a sharia financial scheme for MSMEs is urgently needed in order to increase the empowerment of Micro, Small, and Medium Enterprises (MSMEs)

Support for the development of MSMEs has received considerable attention from the Indonesian government. Similar to Thailand, the Thai government is very supportive of the growth of MSMEs, especially after the monetary crisis in Asia, initially SMEs were a low priority for the Thai government before the 1997 Asian financial crisis (AFC). Since then, Thailand has become one of the developing countries where the government pays great attention to the development of SMEs. Thus, Sevilla and Soonthornthada (2000) argue that SMEs are the backbone of Thailand's infrastructure industry mainly because they have the potential to generate high employment. This is the main reason why SMEs are getting high attention and are new targets of government policies, programs, and assistance after the AFC (Brimble, Oldfield & Monsakul, 2002). This initiative has followed the official introduction of Thailand's SME Promotion Policy in 2000 with the aim of increasing the competitiveness of SMEs and encouraging them to play a more important role as a driver of economic growth.

Awareness of the importance of MSMEs by countries in the world, especially related to this research, namely in Indonesia and in Thailand, it is very

important to know the implications of state awareness in the development of MSMEs to support a strong and sustainable economy by looking at the extent to which government support can affect the demand for entrepreneurship and how the influence of the business environment in fostering interest in doing business and how easy it is to run an MSME business in two countries, namely Indonesia and Thailand

Government support plays a crucial role in the development of small and medium enterprises (SMEs) in both Indonesia and Thailand, as these businesses are significant contributors to economic growth, employment, and innovation. Both countries have implemented various policies, financial assistance programs, and capacity-building initiatives to strengthen SMEs and enhance their competitiveness in local and global markets.

In Indonesia, the government has prioritized SME development through regulatory frameworks and financial support. Programs such as Kredit Usaha Rakyat (KUR) provide low-interest loans to small businesses, helping them gain access to much-needed capital. Additionally, the Ministry of Cooperatives and SMEs, in collaboration with other government bodies, facilitates training and mentoring programs to improve business management, digital adoption, and market expansion. The government also supports SMEs through policies that promote ease of doing business, including simplified licensing procedures and tax incentives.

Meanwhile, Thailand has established several government agencies to support SME growth, such as the Office of SMEs Promotion (OSMEP) and the

Thailand Board of Investment (BOI). These institutions provide financial assistance, training, and incentives to encourage entrepreneurship and business expansion. Thailand's government also emphasizes digital transformation for SMEs through initiatives like the Thailand 4.0 policy, which focuses on technological innovation and sustainability in business operations.

Both Indonesia and Thailand recognize the importance of digitalization in SME development. The Indonesian government promotes e-commerce and digital platforms through initiatives like the MSME Digital Transformation Program, enabling small businesses to sell their products online and access wider markets. Similarly, Thailand's government encourages SMEs to adopt digital solutions through subsidies and training programs, ensuring that businesses remain competitive in the digital economy.

Market access is another critical area of government intervention. Indonesia supports SMEs through policies that require large corporations and state-owned enterprises to source a portion of their supplies from small businesses. Additionally, the government facilitates SME participation in international trade fairs and business matching events. In Thailand, government agencies assist SMEs in exporting their products by providing export promotion services, trade facilitation programs, and financial support to enter global markets.

To enhance innovation and technology adoption, both governments invest in research and development programs for SMEs. Indonesia's Ministry of Industry has initiatives that support small businesses in adopting new

technologies, including grants and technical assistance. Thailand, on the other hand, has implemented tax incentives for SMEs investing in research and technology, helping them develop innovative products and services.

Capacity-building programs are widely implemented in both countries. Indonesia offers entrepreneurship training and business incubator programs through universities, government agencies, and private sector partnerships. Thailand's government also collaborates with educational institutions to provide vocational training and business development services to SME owners and employees, ensuring they have the skills to sustain and grow their enterprises.

Recognizing the importance of sustainable and environmentally friendly practices, both countries promote green initiatives for SMEs. Indonesia encourages businesses to adopt eco-friendly production methods through incentives and grants, while Thailand has sustainability-focused programs that help SMEs transition to greener business models, including access to funding for energy-efficient technologies.

During economic crises, such as the COVID-19 pandemic, both Indonesia and Thailand provided substantial financial relief to SMEs. Indonesia introduced stimulus packages, tax relief, and loan restructuring programs to help businesses survive. Likewise, Thailand implemented financial aid schemes and soft loan programs to support SMEs struggling with economic disruptions.

Overall, government support in Indonesia and Thailand plays a fundamental role in fostering SME growth and sustainability. Through financial assistance, capacity building, digital transformation, and market access

initiatives, both governments continue to create an enabling environment for SMEs to thrive and contribute significantly to their respective economies.

Research on government support, the business environment, and ease of doing business remains highly relevant today, especially as SMEs continue to be the backbone of many economies, including Indonesia and Thailand. SMEs face various challenges, such as access to finance, regulatory burdens, market competition, and digital transformation. By studying these aspects scientifically, policymakers, business owners, and other stakeholders can gain valuable insights into how to create a more supportive ecosystem for SME growth and sustainability.

Government support plays a critical role in shaping the success of SMEs, as policies related to financial assistance, tax incentives, digital adoption, and market access directly impact their ability to compete and expand. Research that evaluates the effectiveness of these support programs helps identify best practices and areas for improvement. It also ensures that policies are based on empirical evidence rather than assumptions, allowing governments to make informed decisions that truly benefit small businesses.

The business environment, including factors such as infrastructure, market conditions, and competition, significantly affects the growth potential of SMEs. Understanding how different economic conditions influence SME performance allows researchers to provide recommendations on how to enhance competitiveness and resilience. This is particularly important in the current global economic landscape, where supply chain disruptions, technological

advancements, and sustainability concerns require SMEs to adapt quickly.

Ease of doing business is another crucial factor that determines how efficiently SMEs can start and operate. Complex regulations, bureaucratic inefficiencies, and high costs of compliance often hinder small business growth. Research that examines these barriers can provide evidence-based solutions to streamline business registration, reduce administrative burdens, and improve overall business efficiency. Such findings help governments implement reforms that foster entrepreneurship and attract more investments in the SME sector.

By conducting scientific research on these topics, policymakers, industry players, and academics can work together to develop strategies that promote SME sustainability and competitiveness. The findings not only benefit governments in crafting better policies but also provide SME owners with valuable knowledge on navigating challenges. Ultimately, continuous research ensures that support systems for SMEs remain relevant, adaptive, and aligned with the ever-changing economic landscape.

1.2. Research Question

1. How is the Government's Support for the Development of MSMEs in Indonesia and in Thailand
2. How is the Business Environment faced by MSMEs in Indonesia and in Thailand
3. How easy is it to run an MSME business in Indonesia and in Thailand
4. How government support, business environment and ease of doing business have implications for the desire to do business for the community both in Indonesia and in Thailand

CHAPTER II

LITERATURE REVIEW

2.1. Government Support

Government support in the development of Micro, Small, and Medium Enterprises (MSMEs) is one of the strategic efforts to encourage national economic growth. MSMEs contribute significantly to employment, income distribution, and poverty alleviation, making them a crucial component of economic stability. However, these enterprises often face challenges such as limited access to capital, lack of business knowledge, and difficulties in market expansion. To address these issues, government support is provided in various forms, including financial and non-financial assistance, to create an enabling environment for MSMEs to thrive.

One of the most essential aspects of government support is financial assistance. Access to capital remains a major constraint for many MSMEs, as they often lack the collateral and credit history required by traditional financial institutions. Governments intervene by providing financial support through subsidized loans, grants, and credit guarantee schemes. In Indonesia, for example, the Kredit Usaha Rakyat (KUR) program offers low-interest loans to MSMEs to help them grow their businesses. Similarly, Thailand has implemented various financial aid programs to assist small businesses, including soft loan schemes and tax incentives. These financial supports are critical in ensuring that MSMEs have the resources to invest in innovation, expand operations, and improve competitiveness.

Beyond financial assistance, non-financial support plays an equally vital

role in fostering MSME development. One key area is the promotion of MSMEs through government-led initiatives such as business expos, trade fairs, and digital marketplace integration programs. These initiatives help small businesses gain visibility, connect with potential customers, and expand their market reach, both locally and internationally. Moreover, governments also provide training and capacity-building programs to enhance the skills of MSME owners and employees. Training programs on business management, digital marketing, financial literacy, and product innovation equip entrepreneurs with the knowledge needed to sustain and grow their businesses in an increasingly competitive market.

Additionally, technical support factors such as infrastructure development, regulatory reforms, and business-friendly policies further enhance the MSME ecosystem. Governments invest in physical infrastructure such as industrial clusters, business incubators, and technology hubs to support small business operations. Regulatory reforms that simplify business registration, reduce bureaucratic hurdles, and streamline tax procedures also encourage entrepreneurship and formalization of MSMEs. Furthermore, governments play a role in fostering collaborations between MSMEs and larger corporations, research institutions, and international organizations to facilitate knowledge transfer and innovation. By providing both financial and non-financial support, governments can create a holistic environment that enables MSMEs to flourish and contribute meaningfully to national economic growth. In general, government support can be described in several main aspects, namely:

(1) Regulations and Policies:

The government plays a role in creating regulations and policies that support a conducive business climate for MSMEs. This includes simplifying licensing, reducing bureaucracy, and establishing fair and transparent regulations. Examples are lighter tax policies for MSMEs and protection of local products.

(2) Financing and Access to Capital:

One of the main obstacles faced by MSMEs is limited access to capital. The government can provide various financing schemes, such as people's business loans (KUR), revolving funds, and easy access to low-interest loans. In addition, the government can also facilitate partnerships with financial and investment institutions.

(3) Education and Training:

Increasing the capacity of human resources is an important factor in the development of MSMEs. The government can organize education and training programs that focus on business management, marketing, technology, and product innovation. This program aims to improve the skills and knowledge of MSME actors so that they can compete in a wider market.

(4) Infrastructure and Technology:

Adequate infrastructure support, such as road access, electricity, and internet, is very important for the development of MSMEs. In addition, the government also needs to encourage the adoption of technology and

digitalization by MSMEs, This includes the provision of e-commerce platforms, business applications, and other digital services that can expand market reach and improve operational efficiency.

(5) Promotions and Markets:

The government can help MSMEs in marketing their products through various initiatives, such as trade shows, promotional programs, and cooperation with the private sector. In addition, the opening of export market access for MSME products is also part of the strategy to increase the competitiveness and growth of MSMEs in the international arena.

(6) Collaborations and Partnerships:

Cooperation between the government, the private sector, educational institutions, and the business community is essential in supporting a sustainable MSME ecosystem. The government can facilitate collaboration forums, encourage strategic partnerships, and create strong networks among various stakeholders.

Overall, the government's support in the development of MSMEs covers various aspects that are interrelated and aims to create a dynamic, innovative, and sustainable business environment. Thus, MSMEs can contribute significantly to economic growth, job creation, and improving community welfare

Government support is crucial for small and medium enterprises (SMEs) in navigating the modern and digitalization era, as technological advancements and digital transformation have reshaped business landscapes globally. SMEs, which form the backbone of many economies, face increasing pressure to adapt

to new digital tools, automation, and e-commerce trends to remain competitive. However, many small businesses lack the resources, technical knowledge, and infrastructure to make this transition smoothly. Therefore, government intervention is necessary to provide strategic support that enables SMEs to embrace digitalization effectively.

One of the most significant challenges SMEs face in the digital era is access to technology. Many small businesses struggle with the high costs of digital tools, software, and IT infrastructure. Governments can support SMEs by offering financial incentives such as grants, subsidies, and low-interest loans to help them invest in digital solutions. For example, many countries have launched digital transformation funds that assist SMEs in acquiring the necessary technology to improve their efficiency and market reach.

In addition to financial assistance, governments play a vital role in enhancing digital literacy among SME owners and employees. Many small business owners lack the knowledge or skills to implement digital tools effectively. To address this, governments can provide training programs, workshops, and online courses to help SMEs understand and utilize e-commerce platforms, cloud computing, cybersecurity measures, and data analytics. These initiatives ensure that SMEs can fully leverage digital technology to optimize their operations.

Another crucial aspect of government support is improving digital infrastructure. In many developing countries, internet access and digital connectivity remain limited, particularly in rural areas where many SMEs

operate. Governments must invest in expanding broadband networks, ensuring affordable and reliable internet access, and developing smart cities that facilitate digital business operations. Strong digital infrastructure enables SMEs to participate in the digital economy and reach customers beyond their local markets.

E-commerce has become a dominant force in modern business, and SMEs need support in integrating their operations into online marketplaces. Governments can assist SMEs by developing national e-commerce strategies, providing access to global digital platforms, and facilitating partnerships with established online retailers. Additionally, policies that encourage cashless transactions, such as digital payment incentives and mobile banking support, help SMEs transition into a more digitalized business environment.

Cybersecurity is another critical area where government intervention is needed. As businesses move online, they become vulnerable to cyber threats such as data breaches, fraud, and hacking. Many SMEs lack the resources to implement robust cybersecurity measures, making them easy targets for cybercriminals. Governments can provide cybersecurity education, subsidized security software, and regulatory frameworks that protect SMEs from digital threats, ensuring a safer online business environment.

Regulatory frameworks must also be adapted to support digital business operations. Many traditional regulations were designed for physical businesses and may not align with digital enterprises. Governments should simplify business registration for digital startups, implement fair taxation policies for

online businesses, and ensure legal protections for digital transactions. Creating a regulatory environment that supports digital entrepreneurship allows SMEs to operate with greater confidence and security.

Government support is also vital in fostering innovation within SMEs. The digital era demands continuous adaptation and the ability to develop new products, services, and business models. Governments can encourage innovation by providing research and development (R&D) grants, establishing innovation hubs, and facilitating collaboration between SMEs and technology firms. These initiatives enable SMEs to remain competitive and take advantage of emerging opportunities in the digital economy.

International trade is another area where governments can support SMEs in the digital age. With the rise of digital platforms, SMEs have the potential to access global markets more easily. Governments can assist by negotiating trade agreements that benefit digital businesses, offering export assistance programs, and providing digital trade facilitation services. These efforts ensure that SMEs can compete internationally and expand their reach beyond domestic markets.

Ultimately, government support is essential in helping SMEs transition into the modern and digital era. By providing financial aid, enhancing digital literacy, improving infrastructure, ensuring cybersecurity, and fostering innovation, governments create an environment where SMEs can thrive in the digital economy. Without these efforts, many small businesses risk being left behind in an increasingly technology-driven world. Thus, continued government intervention is necessary to ensure that SMEs remain resilient, competitive, and

sustainable in the face of rapid digital transformation.

2.2. Business Environment

The business environment refers to the external and internal factors that influence a company's operations, growth, and sustainability. It includes economic conditions, legal and regulatory frameworks, technological advancements, market trends, competition, and social and cultural factors. A well-understood business environment allows businesses, including SMEs, to make informed decisions, minimize risks, and take advantage of emerging opportunities.

Handling the business environment requires businesses to be adaptable and proactive in responding to changes. SMEs, in particular, must develop strategies to navigate challenges such as regulatory compliance, market competition, and technological disruptions. This involves staying updated on government policies, monitoring industry trends, leveraging digital tools, and maintaining financial stability. By understanding the business environment, SMEs can anticipate risks and implement measures to remain competitive.

The importance of the business environment in doing business cannot be overstated. A stable and supportive business environment promotes economic growth, encourages entrepreneurship, and attracts investment. Conversely, a highly volatile or restrictive environment can hinder business expansion, increase operational costs, and reduce profitability. Governments play a crucial role in shaping the business environment through policies, infrastructure

development, and economic reforms that support business sustainability.

For SMEs, understanding the business environment is essential to long-term success. They must assess external factors such as customer behavior, competitor strategies, and regulatory changes to adjust their business models accordingly. SMEs should also conduct market research to identify trends and preferences, enabling them to develop products or services that align with customer needs. A deep understanding of the business environment helps SMEs remain relevant and responsive to industry demands.

One of the key aspects of the business environment is the economic condition, which includes inflation rates, interest rates, currency stability, and overall economic growth. Economic downturns can reduce consumer spending, while favorable conditions can boost business expansion. SMEs need to monitor economic indicators and adjust pricing, cost structures, and investment decisions to mitigate financial risks and maximize opportunities.

Another critical factor in the business environment is technological advancement. The rise of digitalization, artificial intelligence, automation, and e-commerce has significantly transformed business operations. SMEs that fail to adopt new technologies risk falling behind their competitors. To handle this, SMEs should invest in digital tools, embrace online marketing, and explore innovative solutions to improve efficiency, reduce costs, and enhance customer experiences.

Legal and regulatory factors also play a vital role in shaping the business environment. Governments impose laws related to taxation, labor, intellectual

property, and environmental regulations that businesses must comply with. SMEs must stay informed about legal requirements to avoid penalties and legal disputes. Engaging legal advisors or industry associations can help SMEs navigate complex regulations and ensure compliance with business laws.

The competitive landscape is another crucial element of the business environment. SMEs operate in markets where they face competition from both small and large businesses. To handle competition, SMEs should focus on differentiation by offering unique products, superior customer service, or competitive pricing strategies. Building strong brand positioning and customer loyalty can also help SMEs withstand competitive pressures.

Social and cultural factors, including consumer preferences, demographic trends, and lifestyle changes, influence the business environment. SMEs must understand these social dynamics to tailor their products and marketing strategies accordingly. For example, the increasing preference for sustainable and eco-friendly products has encouraged many SMEs to adopt environmentally responsible practices to attract conscious consumers.

In conclusion, understanding and effectively handling the business environment is crucial for SME success. By staying informed, embracing innovation, ensuring legal compliance, and adapting to market trends, SMEs can build resilience and maintain a competitive edge. A well-managed business environment enables SMEs to seize opportunities, mitigate risks, and sustain long-term growth in an ever-changing economic landscape.

The business environment is all external and internal factors that affect the

operation, growth, and survival of a business or business. The business environment can be divided into two main categories: Namely

- (1). External Environment: this environment consists of Macroeconomic environments such as national and global economic conditions, inflation, interest rates, and economic growth, Socio-Cultural which can be seen from the values, norms, habits, and demographics of society that affect consumer behavior. Politics and Law in the form of government policies, regulations, laws, and political stability that have an impact on business, Technology that can be seen from technological advances that affect efficiency and innovation in business, the Natural Environment, such as climate change, natural resources, and related environmental issues. And the climate of competition, competition in the market from other similar ventures or substitutions.
- (2). Internal Environment as seen from Human Resources as shown by Employee Quality, skills, and motivation, Financial Resources as measured by Access to Capital, Financial Management, and Business Financial Health, Organizational Structure as seen from Governance, corporate culture, and management processes, Technology and Innovation such as Technological Infrastructure and internal innovation capabilities, and Business Processes realized through operational Efficiency, product/service quality, and supply chain.

The business environment has a significant influence on the interest of individuals or groups to start and develop a business. A competitive and conducive business environment will influence the community to start entrepreneurship as an example

Stable and growing economic conditions encourage business interest because it provides positive market prospects and greater profit opportunities, on the other hand, economic instability or recession can reduce business interest due to higher risks and market uncertainty. Supportive government policies, such as tax incentives, simplified licensing, and legal protection, can increase business interest because basically business actors will be able to have opportunities and manage their business capacity if the regulations they face become simple and unconvoluted regulations, strict regulations and complicated bureaucracy can become obstacles and reduce interest in starting a business.

In addition, specific business environments such as access to resources, climate, competition, and socio-cultural support also greatly affect the interest for the community to do business. Overall, a conducive and supportive business environment can increase an individual's or group's interest in entrepreneurship, while an environment full of challenges and obstacles can reduce that interest

2.3. Ease of Doing Business

Ease of doing business refers to various factors that make the process of starting, running, and developing a business easier and more efficient. It encompasses regulations, infrastructure, access to finance, and institutional quality that affect business operations. A favorable business environment encourages entrepreneurship, attracts investment, and supports economic growth. Governments play a crucial role in shaping this environment through policies and initiatives that simplify business processes and reduce bureaucratic burdens.

The World Bank measures the ease of doing business through the Ease of Doing Business (EoDB) index, which assesses various important aspects of business operations in different countries. This index evaluates factors such as business registration procedures, property rights, tax policies, contract enforcement, and trade regulations. Countries with a high EoDB ranking tend to have streamlined processes that make it easier for businesses to start and grow. By improving these factors, governments can enhance economic development and competitiveness.

One of the most critical aspects of ease of doing business is licensing and regulation. Many entrepreneurs face difficulties in obtaining permits and licenses due to long processing times, complex requirements, and high costs. Simplifying licensing procedures, implementing online registration systems, and reducing unnecessary bureaucratic steps can significantly improve business efficiency. Many countries have introduced digital platforms to facilitate business registration, enabling entrepreneurs to start operations more quickly and legally.

Access to finance is another crucial factor in the ease of doing business. Many small and medium enterprises (SMEs) struggle to secure funding due to strict lending requirements, high-interest rates, and limited financial literacy. Governments and financial institutions can support SMEs by offering low-interest loans, credit guarantee schemes, and financial education programs. Additionally, the development of fintech solutions, such as peer-to-peer lending and digital banking, has improved financial accessibility for businesses, particularly in developing economies.

Infrastructure development plays a vital role in facilitating business

operations. Good transportation networks, reliable electricity, advanced communication systems, and high-speed internet connectivity are essential for business efficiency. Poor infrastructure increases operational costs, reduces productivity, and limits market reach. Governments must invest in infrastructure projects that support business activities, such as industrial parks, technology hubs, and efficient logistics systems. Enhanced infrastructure enables businesses to operate smoothly and expand their market reach.

Legal certainty and property rights protection are also key components of ease of doing business. Clear and enforceable laws related to contracts, dispute resolution, and property ownership give businesses confidence to invest and operate without legal uncertainties. Countries with strong legal frameworks attract more foreign and domestic investments. Governments must ensure that legal processes are transparent, fair, and efficiently implemented to protect business interests and promote a stable economic environment.

The labor market is another essential factor influencing the ease of doing business. Employment regulations, minimum wage policies, and labor rights protection impact hiring decisions and workforce productivity. A well-balanced labor policy should protect workers' rights while allowing businesses the flexibility to hire and manage employees efficiently. Governments can improve labor market conditions by implementing skill development programs, ensuring fair employment policies, and promoting a business-friendly labor regulatory environment.

Tax policies significantly affect business operations and investment decisions. High tax rates, complicated tax procedures, and unpredictable tax

regulations can discourage business growth and expansion. Simplified tax structures, digital tax payment systems, and fair tax incentives can encourage entrepreneurship and attract investments. Many countries have introduced online tax filing systems to reduce administrative burdens and enhance tax compliance among businesses.

Government and institutional support play a vital role in ensuring ease of doing business. Proactive government policies, transparent governance, and strong institutions help create a business-friendly environment. Business support services such as advisory programs, training initiatives, and incubation centers assist entrepreneurs in navigating challenges and achieving sustainable growth. Strong public-private partnerships also contribute to fostering a thriving business ecosystem.

In conclusion, ease of doing business is a key factor that determines the success and sustainability of enterprises. By improving licensing procedures, financial accessibility, infrastructure, legal frameworks, labor regulations, tax policies, and institutional support, governments can create a conducive business environment. Countries that prioritize these aspects tend to experience higher entrepreneurial activity, increased investments, and overall economic growth. For SMEs, understanding and adapting to the business environment is essential to leveraging opportunities and overcoming challenges in the ever-evolving global economy.

The ease of doing business with data has an impact on business actors as well as on Economic Growth and Business Interest This is because the ease of doing

business will be able to Increase Investment: Where a conducive business climate encourages investors, both domestic and foreign, to invest their capital. The ease of doing business gives confidence that their investment will get protection and high profit potential. Ease of doing business will also encourage entrepreneurship, When the barriers to starting and running a business are minimized, more individuals are encouraged to be entrepreneurial. This creates more job opportunities and innovation in different sectors of the economy.

In addition to providing a stimulus for entrepreneurial growth from the operational side, ease of doing business will also have an impact on Operational Efficiency, where simpler business processes and supportive regulations allow businesses to operate more efficiently. This reduces costs and increases productivity, ultimately contributing to economic growth. Another impact on the Informal Economy Reduction, a supportive business environment makes informal businesses more likely to switch to the formal sector, giving them access to a wider range of resources and markets.

With the ease of doing business, the market becomes more competitive because more business actors are able to enter and operate. Healthy competition encourages innovation, product quality, and more competitive prices for consumers. A stable and supportive business environment creates a solid foundation for long-term economic growth. This reduces economic volatility and provides security for business actors to carry out long-term planning. Thus, ease of doing business not only has an impact on increasing business interest, but also plays an important role in encouraging sustainable and inclusive economic growth.

2.4. Entrepreneurial Intention

Entrepreneurial intention refers to an individual's conscious decision and commitment to starting a business or engaging in entrepreneurial activities. It is the foundation of the entrepreneurial mindset and serves as a predictor of whether a person will pursue business opportunities. Without a strong entrepreneurial intention, the likelihood of starting and sustaining a successful business decreases. This intention is shaped by various factors, including personal motivation, education, environmental conditions, and social influences. Understanding entrepreneurial intention is crucial in fostering entrepreneurship and economic development.

Entrepreneurial intention is the basic mindset for anyone who wants to start a business because it determines their level of commitment, perseverance, and resilience in the face of challenges. Entrepreneurship is not just about having a great idea; it requires determination, risk-taking, and the ability to overcome obstacles. Individuals with strong entrepreneurial intention are more likely to take the necessary steps to turn their ideas into reality, including acquiring the necessary skills, securing financial resources, and developing business strategies. Without this initial intention, many business ideas remain unrealized.

The relevance of entrepreneurial intention to business success lies in its role in shaping entrepreneurial behavior. Research has shown that individuals with strong entrepreneurial intention are more proactive in identifying business opportunities, developing innovative solutions, and responding effectively to market demands. This proactive approach increases their chances of business

survival and growth. Entrepreneurial intention influences decision-making processes, risk tolerance, and the ability to adapt to changing business environments, all of which are critical for long-term success.

One of the key factors influencing entrepreneurial intention is **self-efficacy**, or the belief in one's ability to achieve business goals. Entrepreneurs with high self-efficacy are more confident in their skills and decision-making abilities, making them more likely to take action and persist through challenges. Self-efficacy is developed through experience, education, mentorship, and exposure to successful entrepreneurs. Governments and educational institutions can play a role in fostering self-efficacy by providing entrepreneurship training, mentorship programs, and real-world business experiences.

Another important aspect of entrepreneurial intention is **risk tolerance**. Entrepreneurship inherently involves risks, including financial uncertainty, market fluctuations, and business competition. Individuals with strong entrepreneurial intention are more willing to take calculated risks and embrace uncertainty. This risk-taking ability is a distinguishing characteristic of successful entrepreneurs. They view failure as a learning opportunity rather than a setback, which helps them continuously improve and refine their business strategies.

Entrepreneurial intention is also shaped by **external factors**, such as cultural attitudes, government policies, and economic conditions. In societies that encourage entrepreneurship and provide supportive ecosystems, individuals are more likely to develop strong entrepreneurial intentions. Access to business funding, ease of doing business, and exposure to successful entrepreneurial role

models all contribute to increasing entrepreneurial motivation. Conversely, in environments with bureaucratic hurdles and limited financial support, entrepreneurial intention may be lower.

The link between entrepreneurial intention and business success can also be seen in the way individuals approach **business planning and strategy**. Entrepreneurs who are intentional about their ventures invest time in conducting market research, developing business models, and setting long-term goals. These strategic efforts significantly improve their chances of success compared to those who start businesses without clear objectives. Entrepreneurial intention drives individuals to seek knowledge, build networks, and continuously adapt to market demands.

Furthermore, entrepreneurial intention influences **innovation and creativity**. Entrepreneurs with a strong drive to succeed are more likely to explore new ideas, experiment with different business models, and introduce innovative products or services. This creativity gives businesses a competitive edge, allowing them to differentiate themselves in crowded markets. Without entrepreneurial intention, businesses may become stagnant and fail to keep up with industry trends.

Entrepreneurial intention also impacts **business resilience and sustainability**. Starting a business is not just about achieving short-term profits but also about sustaining operations over time. Entrepreneurs with strong intention are more likely to persist during economic downturns, regulatory challenges, and competitive pressures. They continuously seek ways to improve efficiency,

diversify revenue streams, and build strong relationships with customers and stakeholders. This long-term perspective is essential for business sustainability.

In conclusion, entrepreneurial intention is the driving force behind successful business ventures. It shapes an individual's mindset, decision-making, and ability to navigate challenges. Without entrepreneurial intention, even the best business ideas may fail to materialize. Governments, educational institutions, and business communities must work together to foster entrepreneurial intention by providing the necessary support, training, and resources. Strengthening entrepreneurial intention at an early stage increases the likelihood of business success, economic growth, and innovation, making it a crucial factor in the development of entrepreneurship worldwide.

CHAPTER III

RESEARCH METHODS

3.1. Research Approach

This research is a field research with a qualitative approach. This is considering that research is carried out to dig up empirical facts directly in the field. Maleong (2010) defines a qualitative approach as research intended to understand the phenomenon of what is experienced by the research subject, for example behavior, perception, motivation, action, etc., holistically, and by way of description in the form of words and language, in a special context that is natural and by utilizing natural methods.

Meanwhile, according to David Williams in Moleong (2010:5), "Qualitative research is the collection of data in a natural setting and is carried out by people or authors who are naturally interested. Qualitative research according to Bogdan and Taylor in Moleong (2010), "Qualitative methodology as a research procedure that produces descriptive data in the form of written or spoken words from people and observed behaviors.

It can be concluded that qualitative research is a research that aims to understand an existing phenomenon using a setting, a natural method of attitude and behavior of individuals or groups that are observed by describing through words and language.

According to Arikunto (2010:32) in the characteristics of qualitative research, namely: An inductive approach follows or is flexible with existing circumstances, has an inductive nature, namely the development of concepts based

on existing data, following a flexible research design according to the context. The design in question is not rigid in nature so that it provides opportunities for researchers to adapt to the context in the field.

Field research with a qualitative approach is a type of research that is carried out directly in the location or environment where a certain phenomenon occurs. The goal is to understand the phenomenon in depth, from the perspective of the people involved or affected. This approach emphasizes the exploration, interpretation, and analysis of data that is non-numerical, such as narratives, behaviors, or cultural artifacts.

In qualitative research, researchers play the role of the main instrument in data collection. Researchers are directly involved with the research subject, either through participatory observation, in-depth interviews, or focus group discussions. This involvement allows researchers to understand the social, cultural, and emotional context of the phenomenon being studied, as well as to uncover the deep meaning from the perspective of the participants.

One of the main characteristics of qualitative field research is flexibility in the research process. The research design is open-ended and can be adjusted during the data collection process, depending on the field findings. This allows researchers to explore issues that arise spontaneously and gain richer insights.

This research also focuses on subjective meaning. The data collected is analyzed to understand how individuals or groups interpret their experiences. The analysis is carried out inductively, by identifying patterns, themes, or categories that emerge from the data. The result is usually in the form of a narrative

description that describes the complexity of the phenomenon in its entirety and depth.

Field research with a qualitative approach is often used in various disciplines, such as sociology, anthropology, education, and management studies. This method is suitable for answering exploratory research questions and trying to understand social dynamics, human behavior, or interaction processes in a certain context. The results of this study do not aim to generalize, but to provide in-depth insights that can enrich the understanding of the phenomenon being studied.

3.2. Research Timeline and Location

The research location is a place where researchers conduct research, especially in capturing phenomena or events that actually occur from the object being studied in order to obtain accurate research data.

In determining the location of the research, Moleong (2010:132) determined the best way to be taken by considering substantive theories and exploring the field and looking for conformity with the reality in the field. Meanwhile, geographical and practical limitations such as time, cost, and manpower also need to be considered in determining the research location. So in order for the research location to be in accordance with the purpose of this research, the location taken in the study is the city of Makassar, Indonesia and the city of Samutprakan, Thailand, which will be carried out for 4 months, namely from January 2025 to April 2025

3.3. Data Collection Techniques and Sources

In order to obtain data holistically and integratively, as well as pay attention to the relevance of the data with the objectives, the collection of this research data uses techniques as stated by Bogdan and Biklen (1998), namely:

1. In-depth interview (indept interview)

Interviews are the main technique in qualitative methods. Interviews are used to reveal the fundamental meaning of a specific interaction. During the interview, the questions are carried out freely (free interview means face-to-face between the interviewer and the respondent and the activities are carried out orally. In-depth interviews in this study were conducted by interviewing data sources by asking several questions to information sources. Interviews were conducted by the authors to the selected informants, questions were asked to each informant according to the focus and research problem.

To conduct an interview, materials raised from previously explored issues are first prepared. In this case, deepening can be carried out or bias can also be maintained. To avoid rambling interviews and produce blank information during

interviews, the topic is always directed to questions related to the research objectives. Interviews can be conducted by appointment in advance, or they can also be spontaneous according to the opportunities given by the informant. To record the results of the interview with the permission of the

informant, the researcher used tools in the form of: notebooks and recording machines (mobile phones, digital cameras).

2. observation

This observation technique is used to complete and test the results of interviews given by informants who may not be thorough or unable to describe all kinds of situations or even deviate. Participant observation is a characteristic of social interaction between the researcher and the research subjects. In other words, the process for the researcher to enter the setting with the aim of making observations about how the events in the background are interconnected.

In observation, use a small notebook and a recording device. A notebook is necessary to record important things encountered during observation. Meanwhile, recording devices (mobile phones) are used to capture several moments that are relevant to the research objectives.

The observations made by the researcher related to this study are more like entering In the realm of informant knowledge, understanding body language when the informant provides information and pays attention to eye gaze. This is useful to see the seriousness of the informant providing information.

3. study document

Qualitative research data is mostly obtained from human sources through observation and interviews, but data from non-human sources, such as

documents, photographs, and statistical materials need to receive proper attention. Documents consist of personal writings such as letters, diaries, and official documents. Documents, letters, photographs and others can be seen as "sources" who can be asked to answer questions asked by the researcher (Nasution, 2003:89).

The documentation study in this study is used to collect supporting data to understand and analyze the activities of documented business actors.

The use of this documentation study is based on the following five reasons.

(1) These resources are available and inexpensive (especially in terms of time). (2) Documents and records are a stable, accurate, and re-analysable source of information. (3) Documents and records are a rich source of information, contextually relevant and fundamental in their context. (4) This source is a legal statement that can meet accountability. (5) This source is non-reactive so it is not difficult to find with content study techniques.

3.4. Research Informant

Along with the purpose of this research, the informants of this study are MSME business actors (owners) in the city of Makassar, Indonesia and the city of Samutprakan in Thailand, the number of which is adjusted to the facts on the ground when this research is being carried out

In qualitative research, the determination of informants is dynamic and can change along with the development of conditions and findings in the field. This is due to the flexible approach that is the hallmark of qualitative research. At the

beginning of the study, the researcher usually sets initial criteria to select informants based on the research objectives. However, during the data collection process, researchers can discover new facts that suggest that there are other informants who are more relevant or have additional information that is important to dig deeper into the phenomenon.

This change in the determination of informants is known as **iterative purposive sampling**. Researchers may decide to add or replace informants to ensure that the data collected reflects the variety and complexity of the phenomenon being studied. For example, if in the initial interview process a group or individuals with different perspectives emerge, the researcher can include them as new informants. This approach allows researchers to collect richer and more in-depth data, as well as ensure the validity and accuracy of interpretations of the phenomenon being studied.

3.5. Data Analysis Techniques

The next stage after the data collection stage is completed is data analysis. According to Nazir (2009:419), "Data analysis is grouping, making a sequence, manipulating and getting rid of data so that it is easy to read.

In data analysis on qualitative research, Bogdan and Biklen in J Lexy Moleong (2010) argued: "Qualitative data analysis is an effort made by working with data, organizing data, sorting it into manageable units, organizing it, searching and finding patterns, finding what is important and what is learned, and deciding what can be told to others".

Furthermore, Silalahi (2012) explained "Techniques to analyze data in

qualitative research are carried out through a systematic sequence, namely data reduction, data presentation and conclusion drawn."

Where data reduction is the selection process, focusing on simplification, abstraction, and coarse data information that emerges from written records in the field. The stages in reducing data are making summaries, coding, searching for themes, making clusters, writing memos. Data reduction is a form of analysis that sharpens, classifies, directs, discards the unnecessary, and organizes data in such a way that the final conclusions can be drawn and verified.

Furthermore, data analysis is a set of information that provides the possibility of drawing conclusions and taking actions. Looking at the data presented, we see and will be able to understand what is happening to the fund that must be done.

Finally, Drawing Conclusions is an activity to draw conclusions from every data obtained from the beginning or the results of all that has been summarized from the data that has been obtained.

3.6. Data Validity Check Techniques

In qualitative research, data validation is required so that the data used shows credible data, for which data validation is carried out using 3 types of validity tests, including:

1. Trust (credibility)

Data credibility is intended to prove that the data that has been successfully collected is in accordance with the facts. There are several techniques to

achieve credibility, namely techniques: extended observation, increased diligence in research, triangulation, discussion with peers, and membercheck.

2. Triangulation

Triangulation is a technique to check the validity of data by utilizing various sources outside of data as comparative materials. Then a cross check is carried out so that the results of the research can be accounted for. In this study, the researcher used two triangulations, namely triangulation of data sources and triangulation of methods.

3. Extend observations

By extending the observation, it means that the researcher returns to the field, makes observations, and interviews again with data sources that have been encountered or new. By extending this observation, it means that the relationship between the researcher and the resource person will be more rapport (relationship), more intimate (no more distance), more open, trust each other so that no information is hidden anymore. In this extension of observation, the researcher excavated the data in more depth so that the data obtained became more concrete and valid. Researchers come to the research site even though the researcher has obtained enough data to analyze, even when analyzing the data, the researcher crosschecks at the research site.

CHAPTER IV

RESULT AND DISCUSSION

4.1. Economic Highlights of Indonesia and Thailand and Their Influence on SME Development

Indonesia and Thailand are two of Southeast Asia's largest economies, both playing significant roles in regional trade, investment, and industrial development. Indonesia, the largest economy in ASEAN, is driven by domestic consumption, natural resources, and a growing digital economy. Thailand, on the other hand, is known for its strong manufacturing sector, tourism industry, and export-driven economy. These economic strengths shape the business environment and influence the development of small and medium enterprises (SMEs) in both countries.

In Indonesia, the economy is largely supported by sectors such as manufacturing, agriculture, services, and digital businesses. The country has seen steady economic growth, averaging around 5% annually in recent years, driven by strong domestic consumption and government investments in infrastructure. The rapid rise of e-commerce and fintech has also contributed to Indonesia's economic transformation, providing new opportunities for SMEs to scale their businesses through digital platforms.

Thailand, meanwhile, has a more export-oriented economy, with manufacturing accounting for a large portion of its GDP. The country is a major global hub for automobile production, electronics, and agricultural exports. In addition, Thailand's tourism sector has been a significant contributor to economic growth. While the economy has faced slowdowns due to external factors like global trade tensions and the COVID-19 pandemic, government initiatives aimed at

innovation and industrial upgrades have strengthened the resilience of SMEs.

SMEs in both Indonesia and Thailand play a crucial role in economic development, contributing to employment generation, innovation, and GDP growth. In Indonesia, SMEs account for over 60% of the GDP and employ nearly 97% of the workforce. Similarly, in Thailand, SMEs make up around 99% of all enterprises and contribute approximately 45% of GDP. Both countries recognize the importance of SMEs and have implemented policies to support their growth through access to finance, digital transformation, and capacity-building programs.

One of the main economic highlights that influence SME development in Indonesia is the government's commitment to digitalization. The rise of fintech and e-commerce platforms like Tokopedia, Shopee, and Bukalapak has made it easier for SMEs to access markets and financial services. The government has also launched initiatives such as "Gerakan Nasional 1.000 Startup Digital" to encourage digital entrepreneurship. This digital shift has allowed Indonesian SMEs to expand their businesses beyond traditional markets and improve operational efficiency.

Thailand, on the other hand, has positioned itself as a regional innovation hub with its Thailand 4.0 economic policy, which focuses on technological advancements, high-value industries, and digital transformation. The government has provided incentives for SMEs to adopt smart manufacturing practices, engage in research and development, and access funding for innovation-driven businesses. The Eastern Economic Corridor (EEC) project also provides SMEs with new opportunities in industries such as robotics, biotech, and logistics.

Access to finance remains a key factor in SME development in both

countries. Indonesia has taken significant steps to improve financial inclusion through initiatives like Kredit Usaha Rakyat (KUR), which provides subsidized loans to small businesses. Additionally, the rise of digital banking and peer-to-peer lending platforms has made it easier for Indonesian SMEs to obtain funding. In Thailand, government-backed funding programs such as the SME Development Fund and low-interest loans from the Thai Credit Guarantee Corporation help businesses gain access to capital, especially in times of economic uncertainty.

Trade and export policies also impact SME growth. Indonesia and Thailand are both members of regional trade agreements such as the ASEAN Free Trade Area (AFTA) and Regional Comprehensive Economic Partnership (RCEP), which provide SMEs with greater access to international markets. However, Indonesian SMEs often face challenges in export competitiveness due to regulatory complexity and logistical inefficiencies. In contrast, Thailand's well-developed export infrastructure and government-supported trade promotion programs make it easier for SMEs to enter global markets.

Government support in human capital development also plays a crucial role in SME competitiveness. In Indonesia, vocational training and entrepreneurship programs have been introduced to improve SME capabilities, particularly in rural areas. Meanwhile, Thailand has focused on workforce upskilling by integrating digital literacy and business management training into its SME support programs. These efforts help SMEs enhance productivity and stay competitive in an increasingly digital and globalized economy.

The economic highlights of Indonesia and Thailand have a direct influence

on SME development in both countries. Indonesia's digital economy and financial inclusion initiatives provide SMEs with new growth opportunities, while Thailand's focus on innovation and export competitiveness strengthens its SME ecosystem. Both countries recognize the importance of SMEs in driving economic growth and have implemented policies to enhance their competitiveness. Moving forward, continuous improvements in digital infrastructure, financial accessibility, and workforce development will be key to ensuring the sustainable growth of SMEs in Indonesia and Thailand.

4.2. Research Result

This section presents the main findings of the research that focus on the analysis of factors that support the ease of starting and operating a business in Indonesia and Thailand. The findings obtained through in-depth interviews with small and medium-sized businesses and literature analysis show various aspects that affect the business environment in both countries. These factors include government support, incentive policies, access to financing, infrastructure, and socio-economic conditions that also play an important role in encouraging business activities.

The discussion in this section also describes how these elements interact with each other to create a business climate that supports or hinders it. The comparison between Indonesia and Thailand is outlined based on the experiences of business actors, which provides insight into the advantages and challenges of each country. This analysis not only highlights the differences and similarities in the government's

approach, but also how the local context contributes to the dynamics of interest and sustainability of businesses in both countries.

1. Government Support in Entrepreneurship in Indonesia and Thailand

Government support for Micro, Small, and Medium Enterprises (MSMEs) in Indonesia and Thailand exhibits both similarities and differences, reflecting the unique economic priorities and industrial strengths of each country. While both nations recognize the critical role of MSMEs in economic growth, employment, and innovation, their approaches to policy formulation, financial support, digital infrastructure, market development, education, and collaboration with the private sector vary significantly. These differences shape the business environment and determine the level of competitiveness of MSMEs in both countries.

In terms of strategic policies, Thailand has implemented the Thailand 4.0 initiative, which focuses on transforming the country's economic structure by prioritizing technology, innovation, and digitization. This policy encourages MSMEs to integrate into the global economy by leveraging e-commerce, smart manufacturing, and high-value industries. The Thai government actively supports MSMEs in adopting advanced technologies and participating in global supply chains. In contrast, Indonesia emphasizes strengthening domestic MSMEs through initiatives like the Proud Made in Indonesia Movement (Gernas BBI), which promotes the consumption of local products to reduce import dependence and support domestic businesses. This policy is aimed at increasing national economic resilience by fostering local production and entrepreneurship.

Financial support mechanisms also differ between the two countries. In Thailand, the government provides extensive low-interest loans, credit guarantees, and funding programs to encourage MSME growth, particularly in innovative and high-tech sectors. Institutions such as the Thai Credit Guarantee Corporation (TCG) and the SME

Development Fund provide financing solutions for small businesses. In Indonesia, financial assistance is primarily delivered through programs like Kredit Usaha Rakyat (KUR), which offers subsidized loans to MSMEs, particularly in agriculture, trade, and manufacturing. Additionally, Indonesia has been actively promoting financial inclusion through fintech and peer-to-peer lending platforms, making it easier for MSMEs to access capital.

The development of digital infrastructure is a key focus for both countries but with different priorities. Thailand has been investing heavily in smart cities, high-speed internet, and digital payment systems to support the Thailand 4.0 vision. The country has also encouraged MSMEs to adopt e-commerce and participate in the global digital economy through platforms such as Lazada, Shopee, and government-backed initiatives. Indonesia, on the other hand, has focused on expanding internet access to rural areas, improving digital literacy, and supporting MSMEs in transitioning to online marketplaces like Tokopedia and Bukalapak. While both nations recognize the importance of digitalization, Thailand is more focused on high-tech integration, while Indonesia prioritizes broad-based digital inclusion.

Market development and export facilitation are other areas where differences can be seen. Thailand has established various trade promotion programs that help MSMEs access global markets through initiatives led by the Department of International Trade Promotion (DITP). The Thai government also offers training programs for small businesses to understand international trade regulations and market demands. Meanwhile, Indonesia has been strengthening regional and national trade through partnerships with retail giants and local supply chain networks. Programs like SMEs Go Export aim to increase the international competitiveness of Indonesian MSMEs, although challenges remain in terms of logistics and regulatory efficiency.

Education and skill development for MSMEs are actively promoted in both countries, but with different emphases. Thailand integrates digital skills and smart

manufacturing training into its workforce development programs, ensuring that entrepreneurs and employees are equipped with the knowledge to compete in high-tech industries. Government agencies work closely with universities and research institutions to develop courses tailored to MSME needs. Indonesia, meanwhile, focuses more on entrepreneurial mindset development and financial literacy, ensuring that small business owners understand basic management principles, accounting, and digital marketing. The government collaborates with private sector players like banks and fintech companies to offer training programs that enhance MSME financial resilience.

Collaboration with the private sector plays a significant role in MSME development in both countries. In Thailand, public-private partnerships (PPPs) are widely encouraged, with large corporations often mentoring and supporting smaller businesses through incubator programs. Special economic zones (SEZs) and industrial parks also provide MSMEs with access to infrastructure, resources, and business networks. In Indonesia, private sector involvement is increasing, particularly in the digital sector, where tech companies support MSMEs through grants, mentorship, and digital marketing assistance. Initiatives like Grab for Business and Gojek's Go-Nusantara program help small businesses integrate with large digital platforms.

Despite these differences, both countries face similar challenges in MSME development, including access to finance, bureaucratic inefficiencies, and competition from larger enterprises. While Thailand has an advantage in terms of industrial integration and global trade participation, Indonesia's strength lies in its vast domestic market and growing digital economy. Both nations continue to refine their policies to enhance MSME competitiveness and resilience, particularly in response to external economic shocks such as the COVID-19 pandemic.

The future of MSME development in Indonesia and Thailand will depend on how

effectively these policies are implemented and adapted to emerging trends. Thailand's focus on high-tech and export-oriented MSMEs positions it well in global supply chains, while Indonesia's emphasis on local empowerment and digital inclusivity provides opportunities for widespread entrepreneurial growth. By learning from each other's strengths, both countries can further improve their MSME ecosystems and contribute significantly to regional economic development.

In terms of financial support, Thailand provides subsidies and low-interest loans through the Small and Medium Enterprise Development Bank (SME Bank), as well as tax incentives for MSMEs involved in innovation and exports. In Indonesia, the government offers low-interest People's Business Loans (KUR) and direct assistance programs such as the Micro Business Productive Assistance (BPUM) to support small business actors.

In infrastructure development and digitalization, Thailand has more integrated support, including the development of digital platforms such as the Thailand SME Marketplace and collaboration with the private sector to improve access to technology and international networks. Meanwhile, Indonesia encourages the digitalization of MSMEs through e-commerce training and partnerships with local marketplaces such as Tokopedia and Shopee, although the challenge of internet connectivity in remote areas is still an obstacle.

Regarding market development and exports, MSMEs in Thailand have received strong support to penetrate the international market through global trade fairs, export training, and duty-free policies for certain products. In Indonesia, the focus is more on strengthening the domestic market, despite efforts to encourage exports through assistance programs from the Ministry of Trade and the National Export Agency. Data shows that the contribution of Indonesian MSMEs to new exports has reached 15%, lower than Thailand's 28.7%.

National Currency

In the field of education and training, the Thai government provides specific programs through institutions such as the Office of SMEs Promotion (OSMEP) which is integrated with vocational education and universities. In Indonesia, entrepreneurship training is provided by various ministries and institutions, such as the Ministry of Cooperatives and SMEs, but it is often general and less focused on the specific needs of the business sector.

Collaboration with the private sector in Thailand is characterized by strong partnerships between the government, the private sector, and academia in supporting MSMEs, including the facilitation of partnerships with large companies in the supply chain. In Indonesia, partnerships with the private sector are still growing, but the government has begun to collaborate with large corporations through CSR programs that support MSMEs.

In general, Thailand is more advanced in digitalization and global integration of MSMEs, while Indonesia focuses on strengthening its local base and financial inclusion. This difference reflects the needs and priorities of each country in building a sustainable MSME ecosystem.

From these description, the outline of government support in Indonesia and Thailand for small and medium enterprises can be summarized as described in Table 1 as follows:

Table 1. Similarities and Differences in Government Support for MSMEs in Indonesia and Thailand

Aspects	Thailand	Indonesia	Similarities
Strategic Policy	Thailand 4.0 <i>initiative</i> : focus on digitalization, innovation and global economic integration.	Proud of Made in Indonesia Movement Program: focuses on empowering local MSMEs and increasing domestic consumption.	Both have strategic policies to empower MSMEs with different approaches.
Financial	Subsidies, low-interest	People's Business	Provide low-interest

Aspects	Thailand	Indonesia	Similarities
Support	loans from SME Banks, and tax incentives for innovation and exports.	Credit (KUR) with low interest and Micro Business Productive Assistance (BPUM).	loans and financial incentives to MSMEs.
Infrastruktur Digital	Platforms such as the Thailand SME Marketplace and collaborations with the private sector for digitalization.	E-commerce training and partnerships with local marketplaces such as Tokopedia and Shopee.	Both support the digitization of MSMEs through training and collaboration with platforms.
Market Development	Support for exports through trade shows, training, and duty-free policies for certain products.	Focus on the domestic market with export assistance through the Ministry of Trade and the National Export Agency.	Encouraging MSMEs to expand markets, both domestic and international.
Education and Training	The program is integrated with institutions such as OSMEP and vocational/university education.	General entrepreneurship training from various ministries and institutions.	Providing entrepreneurship training to increase the capacity of MSMEs.
Collaboration with the Private Sector	Strong partnerships between governments, the private sector, and academia, including in the supply chain.	Partnerships with large corporations through CSR programs that are starting to grow.	Trying to collaborate with the private sector to support MSMEs strategically.
Main Focus	Digitalization and global integration of MSMEs.	Strengthening the local base and financial inclusion.	Building a sustainable MSME ecosystem according to national priorities.

This table summarizes the unique approaches and similar goals of both countries in supporting MSMEs according to their respective needs and priorities.

2. Business Environment in Indonesia and Thailand

The business environment in Thailand and Indonesia exhibits significant differences shaped by various factors, including regulations, infrastructure, government support, business culture, industry focus, geopolitical positioning, and political and economic stability. These differences impact the ease of doing business, investment climate, and the

overall competitiveness of enterprises, particularly for small and medium-sized enterprises (SMEs) and foreign investors looking to enter these markets. While both countries are major economies in Southeast Asia, their distinct approaches to regulatory frameworks and economic policies set them apart.

Regulatory factors and ease of doing business play a crucial role in shaping the business climate in both countries. Thailand has consistently ranked higher in the World Bank's Ease of Doing Business Index, mainly due to its streamlined licensing process, investment-friendly regulations, and efficient bureaucratic systems. The Thai government provides strong incentives for foreign investors, particularly in high-tech industries, tourism, and manufacturing. In contrast, Indonesia, despite implementing significant reforms through the Omnibus Law, still faces challenges in reducing bureaucratic red tape. Business licensing remains complex, and despite efforts to attract foreign investment, administrative inefficiencies can delay the entry of new businesses into the market. However, Indonesia's regulations offer better protection for the domestic market, ensuring that local businesses have a competitive edge.

In terms of business infrastructure, Thailand has an advantage due to its well-developed transportation and logistics networks. The country has invested heavily in integrated railways, highways, deep-sea ports, and airports, making it a regional hub for trade and logistics. The Eastern Economic Corridor (EEC), a flagship initiative, further strengthens Thailand's position by offering world-class infrastructure and investment-friendly industrial zones. Indonesia, on the other hand, has been aggressively improving its infrastructure through major projects such as toll roads, new seaports, and airport expansions, yet geographical challenges due to its archipelagic nature create barriers to efficient logistics and transportation. The high cost of inter-island shipping and regional disparities in infrastructure development continue to be significant hurdles for businesses

operating in Indonesia.

Government support for businesses and investment incentives differ in their structure and efficiency. Thailand's Board of Investment (BOI) plays a proactive role in attracting investors by offering tax breaks, import duty exemptions, and simplified work permit processes for expatriates. The BOI also provides direct assistance for businesses looking to establish themselves in Thailand, ensuring a smooth setup process. In contrast, Indonesia's Investment Coordinating Board (BKPM) also offers investment incentives, including tax holidays and reduced tariffs. However, the implementation process in Indonesia often takes longer due to bureaucratic complexities, making it less attractive for investors seeking quick market entry.

Business culture and industry focus also shape the economic landscape in both countries. Thailand's business culture is highly structured and hierarchical, with a strong emphasis on relationships and personal networks. The country has developed robust sectors in manufacturing (automobiles, electronics), tourism, and agriculture. Thailand's tourism industry, in particular, is a significant contributor to its GDP, attracting millions of international visitors annually. Indonesia, with its large domestic market, has a more dynamic and informal business culture, where relationships play a key role but with more flexibility in decision-making. The Indonesian economy is driven by natural resources, agriculture, digital startups, and manufacturing, with a growing emphasis on fintech and e-commerce. The rapid rise of digital platforms such as Gojek, Tokopedia, and Bukalapak reflects Indonesia's strong entrepreneurial spirit and the increasing role of technology in business.

From a geopolitical perspective, Thailand benefits from its strategic location in mainland Southeast Asia, serving as a gateway to regional trade. Its proximity to China, Vietnam, and other ASEAN economies allows it to integrate into global supply chains

easily. Thailand's free trade agreements and active participation in regional economic initiatives enhance its position as a manufacturing and logistics hub. Meanwhile, Indonesia, as the largest economy in ASEAN, has a strategic advantage in maritime trade, given its location along major global shipping routes. The country's economic policies are increasingly focused on strengthening regional trade ties, but challenges remain in fully utilizing its maritime potential due to underdeveloped port infrastructure in some regions.

Political and economic stability play a crucial role in attracting investment and sustaining business growth. Thailand has experienced periodic political instability, including protests and changes in government leadership, which can create uncertainties for investors. However, its economic policies have remained relatively consistent, particularly in supporting foreign direct investment (FDI). Indonesia, while generally stable, has also faced governance challenges, regulatory inconsistencies, and local resistance to foreign investment in certain sectors. Nevertheless, Indonesia's growing middle class and strong consumer demand provide long-term economic stability and investment potential.

The labor market and workforce quality further differentiate the business environment in both countries. Thailand has a relatively skilled workforce in industries such as automotive and electronics manufacturing, supported by government-driven training programs and collaborations with private companies. Indonesia, with its larger and younger population, presents an advantage in terms of labor availability, particularly in labor-intensive industries such as textiles and agribusiness. However, skill gaps and education quality remain concerns, prompting the government to implement vocational training programs and initiatives to improve human capital development.

Another crucial aspect is the role of digital transformation in business operations. Thailand has embraced digitalization through initiatives like Thailand 4.0, which

encourages businesses to adopt smart technologies, AI, and automation. The Thai government provides incentives for SMEs and startups to integrate into the digital economy, making it easier for businesses to scale. Indonesia, while also pushing for digital transformation, has a more organic digital ecosystem, driven by private-sector initiatives and a thriving startup culture. The rapid growth of fintech, e-commerce, and digital payments in Indonesia is largely fueled by high mobile penetration and consumer demand for online services.

In conclusion, while Thailand and Indonesia share common goals in business development and investment attraction, their approaches differ due to distinct regulatory environments, infrastructure capabilities, and economic priorities. Thailand's pro-business policies, well-developed infrastructure, and strategic geopolitical positioning make it a more attractive destination for foreign investors and export-oriented industries. Indonesia, on the other hand, offers a massive domestic market, strong digital entrepreneurship, and abundant labor resources, making it ideal for businesses targeting local consumption and long-term economic growth. Understanding these differences is essential for investors, entrepreneurs, and policymakers looking to navigate and capitalize on the opportunities in these two dynamic economies.

The business cultures in both countries also have unique characteristics. Thailand tends to be hierarchical with an emphasis on personal relationships in business processes, while Indonesia shows greater flexibility in decision-making, although it is often hampered by formal bureaucracy. In terms of industry focus, Thailand has become a manufacturing hub in Southeast Asia, excelling in the automotive, electronics, and digital technology sectors. Indonesia, with its natural resource advantages, is more focused on mining, agribusiness, and energy-based sectors, although the digital economy and tourism sectors are showing rapid growth.

Thailand's strategic geopolitical position in the heart of Southeast Asia makes it a regional trade and logistics hub, while Indonesia, as an archipelagic country located on international trade routes, has great potential constrained by domestic logistics challenges. Political stability in both countries also provides different dynamics; Despite Thailand's political fluctuations and several periods of military coups, its economy has continued to grow thanks to sector diversification. In contrast, Indonesia has shown better political stability since the 1998 reforms, supporting long-term economic growth despite still facing challenges in policy consistency.

Thailand excels in infrastructure, ease of investment, and manufacturing competitiveness, while Indonesia takes advantage of its large domestic market potential, abundant natural resources, and a thriving digital economy. Both face unique challenges in creating a competitive and sustainable business environment, with different approaches based on their respective development needs and priorities. In general, from the description, the following Table 2 summarizes the differences and similarities in the business environment in Thailand and Indonesia:

Tabel 2. SME's Business Environment in Indonesia and Thailand

Aspects	Thailand	Indonesia	Similarities
Regulation and Ease of Doing Business	Fast licensing process with incentives for technology, manufacturing, and tourism.	The reform of the Omnibus Law reduces obstacles, but bureaucracy and business licenses remain challenges.	Both have made efforts to reform regulations to attract foreign investment.
Business Infrastructure	Superior infrastructure, including an integrated transportation/logistics network and the Eastern Economic Corridor (EEC).	Intensive infrastructure development (toll roads, ports), but the geographical barriers of the archipelago are a challenge.	Focusing on developing infrastructure to support businesses.
Government Support	Comprehensive investment incentives through BOI, including tax breaks and	Investment incentives from BKPM, but	Providing incentives to attract investment, albeit with a

Aspects	Thailand	Indonesia	Similarities
	ease of work permits.	implementation often takes longer.	different approach.
Business Culture	Hierarchical with an emphasis on personal relationships.	Flexible in decision-making, but hampered by formal bureaucracy.	The respective business culture influences interactions and decision-making processes.
Industry Focus	Southeast Asia's manufacturing hub, excelling in automotive, electronics and digital technology.	Focus on mining, agribusiness, energy, and growth in the digital economy and tourism.	Both utilize superior sectors to encourage economic growth.
Geopolitical Position	Strategically located in the heart of Southeast Asia, becoming a regional trade and logistics center.	It is located on an international trade route with great potential, but is constrained by domestic logistics.	Both have a strategic position for international trade.
Political and Economic Stability	Experiencing political fluctuations, but the economy continues to grow through sector diversification.	Political stability has improved since the 1998 reforms, supporting long-term economic growth.	Both countries face political and economic challenges in maintaining business competitiveness.
Key Benefits	Superior infrastructure, ease of investment, and manufacturing competitiveness.	The potential of the domestic market is large, natural resources are abundant, and the growth of the digital economy.	Strive to create a competitive and sustainable business environment.

This table reflects the different approaches of the two countries in creating a conducive business environment, tailored to their respective priorities and potential.

3. Ease of Doing Business in Indonesia and Thailand

The ease of doing business in Indonesia and Thailand shows striking differences in various aspects, such as regulations, access to financing, government support, infrastructure, markets, and business culture. This difference not only reflects the economic

conditions of each country but also reflects the strategic approach taken by the government in creating a conducive business environment. Thailand, for example, has long been known for its regulations that are friendly to business actors, especially foreign investors, while Indonesia still faces challenges in simplifying the bureaucracy despite various reforms.

The process of obtaining a business license in Thailand is known to be fast and efficient, especially through the Board of Investment (BOI) policy which provides significant incentives for foreign investors. Small and medium enterprises (SMEs) also benefit from the existence of an integrated online platform that allows for easy and fast business registration, supported by guidance from the local government. On the other hand, although Indonesia has introduced the Online Single Submission (OSS) system to simplify the business registration process, the implementation of this system still faces technical obstacles. Problems such as slow connections, the need for additional coordination with regional agencies, and a lack of user understanding of the OSS system often hinder the smooth licensing process, especially for new business actors.

In terms of financing, Thailand has a more structured and supportive system. Schemes such as soft loans from SME Development Bank and access to venture capital for technology- or innovation-based businesses have provided huge benefits to new businesses. Banks and financial institutions in Thailand are also more organized to support small businesses in the technology and manufacturing sectors. In Indonesia, the People's Business Credit (KUR) program is one of the backbones of financing for MSMEs. However, access to venture capital and private investment in Indonesia is still lagging behind Thailand. The low financial literacy among new business actors is an additional challenge, so many financing opportunities are not utilized optimally.

Government support for the development of new businesses in Thailand is more targeted and focuses on strategic sectors such as technology, manufacturing, and tourism.

Institutions such as the Office of SMEs Promotion (OSMEP) provide training, mentoring, and access to incubators and accelerators that drive startup growth. In Indonesia, despite initiatives such as the National Movement of 1,000 Startups to encourage digital entrepreneurship, the supporting ecosystem still needs to be strengthened. The Indonesian government's support focuses more on empowering traditional MSMEs through entrepreneurship training and digitalization programs. However, bureaucratic obstacles and lack of coordination between institutions are often obstacles in the implementation of these programs.

Infrastructure is also an important differentiating factor between the two countries. Thailand has developed better transportation, logistics, and digital infrastructure networks, especially in major cities such as Bangkok and Chiang Mai. This provides a great advantage for new business actors in accessing markets and resources. On the other hand, Indonesia still faces geographical challenges as an archipelagic country, which causes uneven distribution of logistics and internet connectivity, especially outside Java. Although the Indonesian government continues to invest in infrastructure development, this progress will take time to have a significant impact on business actors.

In terms of markets, Thailand and Indonesia offer different opportunities. Thailand has a more competitive market due to the large number of established players in key sectors such as tourism, food, and technology. However, export opportunities are more open in Thailand thanks to a strong international trade network. Meanwhile, Indonesia offers a large domestic market as a major opportunity for new businesses, especially in the food, fashion, and e-commerce sectors. The main challenges in Indonesia are people's variable purchasing power and constraints in the distribution system that still depends on developing infrastructure.

Business culture also plays an important role in shaping the ease of doing business

in both countries. Thailand is known for its business culture that values personal relationships and connections, which are often the deciding factor in success. New entrepreneurs need to build a strong social network to facilitate their business operations. In Indonesia, although the business culture is more flexible, bureaucratic challenges and lack of transparency are often obstacles. Therefore, building a network with local stakeholders is key to overcoming these obstacles. Overall, Thailand excels in terms of regulation, financing, and infrastructure, while Indonesia has an advantage in domestic market potential and MSME empowerment initiatives. An in-depth understanding of local, regulatory, and market dynamics is essential for businesses to take advantage of the opportunities that exist in both countries.

The following Table 3 is a general summary of the ease of starting a business and running a business in Indonesia and Thailand

Table 3. Ease of Starting and Running a Business in Indonesia and Thailand

Aspects	Thailand	Indonesia	Similarities
Regulation and Licensing	Fast and efficient through the Board of Investment (BOI), with incentives for foreign investors.	Online Single Submission (OSS) was introduced, but still faces technical and bureaucratic obstacles.	Both of them carried out reforms to simplify the business licensing process.
Access to Financing	Soft loan scheme from SME Development Bank, venture capital for technology and innovation.	People's Business Credit (KUR) supports MSMEs, but access to venture capital and investment is limited.	Providing financing support for MSMEs even though with a different approach.
Government Support	Focus on strategic sectors through OSMEP, with training, incubators and accelerators.	Initiatives such as the National Movement of 1,000 Startups, but the supporting ecosystem is still growing.	Governments in both countries provide training and support for new entrepreneurs.
Infrastructure	Advanced transportation, logistics and digital infrastructure networks in major cities.	Infrastructure is constantly evolving, but the distribution of logistics and internet connectivity is uneven.	Both invest resources in infrastructure development.
Market	Competitive market	The potential for	Both offer attractive

Aspects	Thailand	Indonesia	Similarities
	with open export opportunities through international trade networks.	domestic markets is huge in the food, fashion, and e-commerce sectors, but distribution is a challenge.	opportunities for business actors with different market focuses.
Business Culture	Emphasize personal relationships and connections as key success factors.	Culture is more flexible, but it requires networking to overcome bureaucratic challenges.	The importance of building a network to facilitate business operations.
Main Advantages	Friendly regulation, structured access to financing, and superior infrastructure.	Large domestic market potential, abundant resources, and MSME empowerment initiatives.	Focusing on creating a conducive business environment through different approaches.

This table highlights significant differences between the two countries in ease of doing business, while also showing similar elements that show their efforts in supporting business actors.

4. Entrepreneurship Intention in Indonesia and Thailand

Based on the results of the interview related to three important factors, namely government support, business Environment and ease of running a business, the results of the interview were continued with an effort to conduct in-depth interviews that related the three main issues in the growth of entrepreneurial interest in both countries

The results of this study reveal how the different approaches taken by the Indonesian and Thai governments in supporting Micro, Small, and Medium Enterprises (MSMEs) significantly influence the growth of entrepreneurial interest in both countries. These governmental strategies, particularly in terms of regulatory policies, infrastructure development, and digital transformation, play a vital role in shaping the entrepreneurial landscape. The contrasting approaches between Indonesia and Thailand demonstrate how tailored support systems can create distinct business environments, which, in turn, impact the mindset and ambitions of potential entrepreneurs.

Thailand has strategically positioned itself as a hub for digital integration, which has become a cornerstone of the country's economic development under the Thailand 4.0 initiative. This policy aims to transform the Thai economy by fostering industries that are driven by innovation, technology, and creativity. The Thai government is actively encouraging MSMEs to embrace digital technologies, artificial intelligence, and automation to improve their competitiveness in both local and international markets. By prioritizing digital transformation, Thailand has managed to create a business environment conducive to the growth of technology-based businesses, attracting entrepreneurs who are keen on leveraging new technologies to scale their ventures.

In addition to the focus on digital integration, ease of regulation in Thailand also plays a significant role in fostering a favorable entrepreneurial environment. The Thai government's regulatory framework is designed to make it easier for businesses to operate, with a streamlined process for starting a business, obtaining permits, and managing operations. This regulatory environment minimizes bureaucratic barriers, reduces the time required for setting up new ventures, and encourages entrepreneurs to pursue their business ideas with confidence. The ease of doing business in Thailand has positioned the country as a competitive destination for both domestic and foreign entrepreneurs, making it an attractive option for those seeking to start technology-driven businesses.

Thailand's commitment to creating a progressive business ecosystem is further reflected in its emphasis on infrastructure development. The government has invested heavily in building world-class infrastructure, including transportation networks, smart cities, and digital platforms. These developments provide MSMEs with the necessary tools to innovate, collaborate, and scale their businesses. The Eastern Economic Corridor (EEC), for instance, is a prime example of how infrastructure investment is enabling Thai entrepreneurs to establish businesses that cater to both local and global markets. The

creation of such economic zones facilitates the seamless movement of goods, services, and information, thus contributing to the growth of MSMEs in the technology, manufacturing, and export sectors.

Moreover, Thailand's active collaboration with the private sector has been a key driver of innovation and entrepreneurship. The Thai government has developed strategic partnerships with private companies to foster collaboration, create business opportunities, and drive technological advancements. Through initiatives such as public-private partnerships (PPPs), MSMEs are given the chance to work alongside established corporations to gain access to funding, mentorship, and market networks. This collaboration nurtures a culture of innovation and entrepreneurship, encouraging individuals to develop businesses that meet both domestic and international demands. The technology and e-commerce sectors in Thailand, in particular, have benefited from this collaborative approach, leading to the emergence of numerous startups and tech-driven businesses.

As a result of these factors, Thailand has successfully created an environment that supports the creation of new businesses with potential and opportunities aligned with market demands. Entrepreneurs in Thailand are increasingly inclined to explore global market orientation, as the government's focus on international trade, export facilitation, and digital integration opens up opportunities for Thai MSMEs to expand their reach beyond national borders. The country's policy framework, infrastructure, and digital ecosystem enable entrepreneurs to access global markets, allowing them to grow their businesses in line with the rapidly changing demands of the international economy.

Entrepreneurs in Thailand are particularly motivated by the government's emphasis on innovation and technology adoption. The Thailand 4.0 initiative has not only encouraged traditional industries to modernize but also created a fertile ground for high-

tech and startup ventures. This support system empowers entrepreneurs to innovate, experiment with new business models, and explore emerging sectors such as artificial intelligence, IoT (Internet of Things), and renewable energy. The increasing demand for technology-driven solutions in Thailand has fostered an entrepreneurial culture where individuals are more inclined to develop businesses that contribute to the country's digital economy.

The support for technology-based businesses has made Thailand a leader in Southeast Asia's growing digital economy. With policies that focus on e-commerce and digital payment systems, entrepreneurs in Thailand are encouraged to integrate online platforms into their business strategies. The growing adoption of e-commerce platforms such as Lazada, Shopee, and others has given entrepreneurs the tools to reach a wider consumer base, while the country's advanced digital infrastructure ensures the smooth operation of these platforms. This has created a thriving market for digital entrepreneurs, who are increasingly tapping into Thailand's tech-driven ecosystem to build scalable businesses.

Additionally, the support for entrepreneurs in Thailand has helped cultivate a resilient and adaptive business community. As global market conditions continue to evolve rapidly, entrepreneurs are encouraged to embrace flexibility and agility. Government initiatives, including entrepreneurship development programs, provide aspiring business owners with the knowledge, resources, and tools to manage uncertainties and capitalize on new opportunities. Thailand's emphasis on fostering entrepreneurial mindsets through education and skill development is critical to sustaining long-term economic growth and encouraging future generations to pursue innovative business ventures.

In conclusion, the Thai government's focused efforts in promoting digitalization, ease of doing business, and strategic collaborations have created an environment that

actively fosters entrepreneurial interest and innovation. The Thailand 4.0 initiative, along with strong infrastructure and a supportive regulatory environment, has empowered entrepreneurs to establish businesses that meet both local and global market demands. The government's proactive support for technology-based businesses and its emphasis on innovation and exports are key drivers in Thailand's dynamic entrepreneurial ecosystem. Entrepreneurs are encouraged to explore opportunities in emerging sectors, leading to the creation of businesses that contribute to the country's growing digital economy and its competitiveness in the global market

On the contrary, Indonesia emphasizes the empowerment of local MSMEs through financial inclusion policies and strengthening the domestic market, which is in line with the needs of the local community. Efforts such as People's Business Credit (KUR), entrepreneurship training programs, and MSME digitalization are beginning to show results in increasing public interest in starting small and medium businesses. Despite the challenges in regulation and infrastructure, the huge potential of the domestic market provides opportunities for the growth of local entrepreneurs. Similar to what happened in Thailand, the problem of digitalization is also a major issue in the development of entrepreneurship in Indonesia and it is also a driver of business interest, especially for the younger generation who tend to be digitally literate, various digitalization programs and especially to develop entrepreneurship are also encouraged in Indonesia as one example is the Indonesian Movement to be more digitally proficient as proof of government support in digitalization and things has also sparked interest in entrepreneurship in Indonesia

In conclusion, the strategies implemented by each country have different influences on entrepreneurial patterns. Thailand has succeeded in fostering technology-based and export-based entrepreneurship, while Indonesia tends to strengthen entrepreneurship based on local consumption and social inclusion. These two approaches,

although different, reflect adaptation to the economic and social conditions of each country, while opening up opportunities to learn from each other in improving entrepreneurial competitiveness at the regional level.

Discussion

The results of this study show that government support for Micro, Small, and Medium Enterprises (MSMEs) in Indonesia and Thailand reflects different strategic approaches based on the priorities and local conditions of each country. Thailand, with the Thailand 4.0 initiative, emphasizes the digitalization and global integration of MSMEs through innovation and e-commerce, which directly increases their competitiveness in the international market. Instead, Indonesia adopted an approach that focused more on strengthening the local base, such as through the Proud Made in Indonesia Movement, which aims to encourage domestic consumption. These differences reflect their respective needs-oriented development strategies, with Thailand prominent in digitalization and Indonesia prominent in empowering the domestic market.

The financial support provided by the two countries also shows interesting dynamics. Thailand excels at providing low-interest loans, subsidies, and structured tax incentives through institutions such as SME Bank. On the other hand, although Indonesia offers programs such as People's Business Credit (KUR) and Micro Business Productive Assistance (BPUM), access to venture capital and innovative funding is still limited. This highlights the importance of diversifying financing schemes in Indonesia to support technology- and export-oriented MSMEs, as

Thailand has done. Both approaches provide important insights into how financial support can be tailored to address the different needs of MSMEs in each country.

In terms of infrastructure and ease of doing business, Thailand shows an advantage with better integration between transportation networks, logistics, and digital platforms. The Thailand SME Marketplace and the development of economic zones such as the Eastern Economic Corridor (EEC) are clear examples of Thailand's success in creating a conducive business ecosystem. In contrast, Indonesia still faces significant geographical challenges as an archipelagic country, which hampers access to logistics and internet connectivity in remote areas. However, the Indonesian government's massive investment in infrastructure provides hope for long-term improvements. This discussion shows that integrated infrastructure development and focus on digitalization are the key to increasing the ease of doing business, especially for countries that face geographical barriers such as Indonesia.

By understanding these differences and similarities, this research makes an important contribution to the development of more effective policies to support MSMEs in Southeast Asia. Policymakers can learn from the experiences of both countries to design sustainable strategies, including strengthening public-private sector collaboration, as well as focusing on education and training relevant to market needs. This is an important step in encouraging MSMEs as a motor of regional economic growth.

Of the three main problems studied, namely government support, business situation and ease of running a business, these three things show that they are able

to increase and foster entrepreneurial interest for the community, especially for the younger generation, and are also a driving factor in running a business both in Indonesia and in Thailand

CHAPTER VI

COUNCLOSION

The conclusion of this study highlights that government support for MSMEs and the business environment in Indonesia and Thailand reflects the needs and development priorities of each country. Thailand has demonstrated excellence in digital integration, ease of regulation, and infrastructure that supports exports and international collaboration. Meanwhile, Indonesia emphasizes the empowerment of locally-based MSMEs through financial inclusion policies, strengthening the domestic market, and entrepreneurship training aimed at increasing competitiveness at the national level. This approach reflects the different strategies taken by the two countries in confronting global and local economic challenges.

Thailand has consistently shown significant progress in the digitization of MSMEs, infrastructure development, and an investor-friendly business environment. Initiatives such as Thailand 4.0 and strategic partnerships with the private sector have supported the growth of the manufacturing, technology, and export sectors. On the other hand, Indonesia offers a large domestic market potential and a wealth of natural resources as the main capital in building an economy based on local consumption. Despite still facing regulatory and infrastructure constraints, the Indonesian government's efforts to expand access to financing and support new entrepreneurs have shown positive results in

strengthening the foundation of the national economy.

Overall, the differences in approaches between Thailand and Indonesia reflect the geographical, cultural, and development priorities of each country. Both face unique challenges in building a sustainable MSME ecosystem and creating a competitive business environment. Therefore, learning from the advantages and experiences of each country can be a strategic step to strengthen regional competitiveness in the future

This study also indicates that the three main focuses studied in this study, namely government support, business situation and ease of doing business, indicate that it is able to increase interest in entrepreneurship and improve business management in both countries

REFERENCE

- Ahmed, Y. A., Kar, B., & Ahmed, H. M. S. (2018). Critical Factors of Entrepreneurial Competencies for Successfully Managing Micro and Small Enterprise in Ethiopia. 7(7), 79-87. <https://doi.org/10.9790/487X-2007018491>
- Alesch, D. J., Arendt, L. A., & Holly, J. N. (2009). Managing for long-term recovery in the aftermath of disaster. In Fairfax, VA: Public Entity Risk Institute (PERI). Public Entity Risk Institute. pp. 1-205.
- Barazandeh, M., Parvizian, K., Alizadeh, M., & Khosravi, S. (2015). Investigating the effect of entrepreneurial competencies on business performance among early stage entrepreneurs Global Entrepreneurship Monitor (GEM 2010 survey data). Journal of Global Entrepreneurship Research, 5(1), 1-12. <https://doi.org/10.1186/s40497-015-0037-4>
- Boin, A. (2009). The new world of crises and crisis management: Implications for policymaking and research. Review of Policy Research, 26(4), 367-377. <https://doi.org/10.1111/j.1541-1338.2009.00389.x>
- Buradum, T. F., Sam, A. D., & Brownson, K. H. (2018). Impact of Entrepreneurial Spirit on Resilience of Small and Medium Size Agribusinesses in Nigeria. 1(3), 79-87.
- Comfort, L. K. (2002). Rethinking security: Organizational fragility in extreme events. Public Administration Review, 62, 98-107. <https://doi.org/10.1111/1540-6210.62.s1.18>
- Doern, R., Williams, N., & Vorley, T. (2019). Special issue on entrepreneurship and crises: business as usual? An introduction and review of the literature. Entrepreneurship & Regional Development, 31(5-6), 400-412. <https://doi.org/10.1080/08985626.2018.1541590>
- Fisher, R., Maritz, A., & Lobo, A. (2016). Does individual resilience influence entrepreneurial success. Academy of Entrepreneurship Journal, 22(2), 39-53.
- Hidayat, M., Musa, C. I., Haerani, S., & Sudirman, I. (2015a). The Design of Curriculum Development Based on Entrepreneurship through Balanced Scorecard Approach. International Education Studies, 8(11), 123-138. <https://doi.org/10.5539/ies.v8n11p123>
- Hidayat, M., & Yunus, U. (2019). The Entrepreneurship Learning in industrial 4.0Era (Case Study in Indonesian college). In Journal of Entrepreneurship Education (Vol. 22). 1-15.
- Kaya, H. D. (2019). Government Support, Entrepreneurial Activity and Firm Growth. Socio Economic Challenges, 3(3), 5-12. [https://doi.org/10.21272/sec.3\(3\).5-12.2019](https://doi.org/10.21272/sec.3(3).5-12.2019)
- Kim, N., Pae, J. H., Han, J. K., & Srivastava, R. K. (2010). Utilization of business technologies: Managing relationship-based benefits for buying and supplying firms. Industrial Marketing Management, 39(3), 473-484.

<https://doi.org/10.1016/j.indmarman.2008.11.004>

Korber, S., & McNaughton, R. B. (2018). Resilience and entrepreneurship: A systematic literature review. *International Journal of Entrepreneurial Behaviour and Research*, 24(7), 1129-1154. <https://doi.org/10.1108/IJEBR-10-2016-0356>

Kuckertz, A., Brandle, L., Gaudig, A., Hinderer, S., Morales Reyes, C. A., Prochotta, A., ... Berger, E. S. C. (2020a). Startups in times of crisis - A rapid response to the COVID-19 pandemic. *Journal of Business Venturing Insights*, 13(April). <https://doi.org/10.1016/j.jbvi.2020.e00169>. pp.1-13

Ludmila Kozubikova, Jaroslav Belas, Yuriy Bilan, P. B. (2015). Personal Characteristics of Entrepreneurs in the Context of Perception and Management of Business Risk in the SME Segment. *Economics and Sociology*, 8(1), 41- 54. <https://doi.org/10.14254/2071>

Mark Turner, Sineenat Sermcheep, Seksan Anantasirijkiat & Piti Srisangnam (2016) Small and medium-sized enterprises in Thailand: government policy and economic development, *Asia Pacific Journal of Public Administration*, 38:4, 251-269, DOI: 10.1080/23276665.2016.1256545

Paunescu, C., Popescu, M. C., & Blid, L. (2018). Business impact analysis for business continuity: Evidence from Romanian enterprises on critical functions. *Management and Marketing*, 13(3), 1035-1050. <https://doi.org/10.2478/MMCKS-2018-0021>

Punyasavatsut, C. (2011), 'SMEs Access to Finance in Thailand', in Harvie, C., S. Oum, and D. Narjoko (eds.), *Small and Medium Enterprises (SMEs) Access to Finance in Selected East Asian Economies*. ERIA Research Project Report 2010-14, Jakarta: ERIA. pp.193-230.

Runyan, R. C. (2006). Small business in the face of crisis: identifying barriers to recovery from a natural disaster 1. *Journal of Contingencies and Crisis Management*, 14(1), 2-26. <https://doi.org/10.1111/j.1468-5973.2006.00477.x>

Sanchez, J. (2012). The influence of entrepreneurial competencies on small firm performance. *Revista Latinoamericana de Psicología*, 44(2), 165-177. <https://doi.org/10.14349/rlp.v44i2.1040>

Umar, A., Che Cob, C. M. S., Che Omar, C. M. Z., & Gani Hamzah, M. S. (2018). Determinants of Entrepreneurial Competencies Development in Small and Medium Enterprises. *International Journal of Business and Management*, 14(1), 147. <https://doi.org/10.5539/ijbm.v14n1p147>

Williams, T. A., Gruber, D. A., Sutcliffe, K. M., Shepherd, D. A., & Zhao, E. Y. (2017). Organizational response to adversity: Fusing crisis management and resilience research streams. *Academy of Management Annals*, 11(2), 733- 769. <https://doi.org/10.5465/annals.2015.0134>

- Wong, W.-K., Cheung, H.-M., & Venuvinod, P. K. (2005). Individual entrepreneurial characteristics and entrepreneurial success potential. *International Journal of Innovation and Technology Management*, 2(03), 277-292. <https://doi.org/10.1142/S0219877005000502>
- Yang, Y., & Kankanhalli, A. (2014). The Impact of Social Media Marketing on Online Small Business Performance. *PACIS*, 63

ATTACHMENT

1. Research Schedule

No	Research Activities	Time Lines 2024			
		Jan	Feb	Mar	Apr
1	Research Coordination with Partners				
2	Research Data Management				
3	Research Data Analysis				
4	Monev Research Progress				
5	Final Report of the Research				

1. Budget Plan

No	Expece	Volume	Satuan	Jumlah	
1	Goods Procurement				
	B. Cost for printing, binding and stationary Purchase	1	KGT	250.000	250.000
2.	Data Collection				
	A. Survey / Interview Cost	1	KGT	250.000	250.000
3	Travel Expenses				
	A. Round-trip Airfare (Makassar – Bangkok)	1 (RT)	prs	2.400.000	4.800.000
	B. Field Accomodation	3	Mlm	400.000	1.200.000
	C, Local Transporation (Sumutrapakan District)	1	Prs	1.500.000	1.500.000
4.	Data Processing				
	Cost for data analysisnand Processing	1	KGT	150.000	150.000
5.	Reporting				
	B. Progress Report	1	EKS	500.000	500.000
	C. Final Report	1	EKS	500.000	500.000
6.	Journal Publication	1	EKS	7.500.000	7.500.000
Total				16.650.000	